

GSE CUSTOMER COUNCIL MEETING

August 23, 2004

Members Present:

John Bradford, Chairperson, Member of Public, Jennifer St. John, DNR; Marcia Spangler, IDED; Charlie Smithson, Ethics; Roger Johnson, Cultural Affairs; Peggy Sullivan, Judicial; John Baldwin, DOC; Major Darrel Cox, DPS; Mary Jane Olney, AG; Ruth White, Human Rights.

Members Absent:

Greg Anliker, Elder Affairs; Bob Straker, AFSCME.

Others Present:

Mollie Anderson, Director, DAS; Pat Deluhery, GSE; Debbie O'Leary, GSE; Dale Schroeder, GSE; Tim Ryburn, GSE; Dean Ibsen, GSE; Tera Harrington, GSE; Nancy Williams, GSE; Barb Bendon, GSE; Patti Allen, DAS; Mark Willemssen, Legislature; Linda Plazek, DAS; Paul Carlson, DAS; Steve King, Lottery; Denise Sturm, DAS.

Call to Order:

Meeting called to order at 1:00 p.m.

Opening Comments:

The new GSE Customer Council members were introduced – welcome to Major Darrel Cox from Department of Public Safety (large agency) and Mary Jane Olney from Agriculture (Medium Agency).

Mollie Anderson, DAS Director – I hope we will be able to answer the questions many of you have. Our plan today is to be as open as you want and to give you as much information as you need in order to make decisions. It will be important that we set these rates by September 1, 2004.

Approve Minutes of August 5, 2004 Meeting:

Jennifer St. John moved to approve the minutes as written. Roger Johnson seconded the motion. Motion passed.

Membership – Terms of Office:

Linda Plazek stated that only one council needs to submit the waiver which would represent all. ITE Council is going to submit a waiver to allow a change in length of terms on behalf of all DAS Customer Councils.

Ruth White moved to change the by-laws to reflect the three-year term. Charlie Smithson seconded the motion. This will change one year and two year memberships to three year staggered memberships. Motion passed.

Rate Discussion:

The Customer Council reviewed and discussed the DAS Utility Rate Question Log.

Question # 9 (Regarding the leasing fee, if the square footage leased by an agency changes during the fiscal year, how will the rate adjustment be made?) **Question # 10** (Why is the off

complex leasing fee an annualized fee instead of a monthly one? If an agency has a substantial square footage change during the course of the year, will it either be given a pro-rated credit or be charged more? It was stated during the August 16 meeting that on-complex agencies are to notify DAS within six months if their square footage is going to change. Can the same concept be extended to the off-complex agencies? Or can this billing be changed to a monthly billing?)

Dean Ibsen responded - We haven't discussed this with the Customer Council. Our proposal would be that fees be tied directly to the terms of the lease or as an amendment to the lease. Any adjustments would be made consistent with the date of the amendment. All leases are tied to 60, 90 or 120 days for landlord notification for a decrease/increase in square footages.

Annual fee vs. a monthly fee, I don't have a preference. I believe we could certainly make an adjustment, still using an annual basis for the fee.

Director Anderson stated this represents capacity in order to be able to save money and to work specifically with the landlord as issues arise and/or as a lease can be renegotiated. I know recently GSE and the leasing staff have worked very closely in all of the leases we have and have used this as an opportunity to go back and try to re-negotiate lower rates and to get longer leases for a better price. GSE just re-negotiated with Hubbell, for a ten year – what was in the original contract and what we re-negotiated there was a \$600,000 savings for a 42,000 square foot over ten years. For five years, there is \$270,000 savings.

Charlie Smithson made the motion – do it based on the language of the lease at the time of the amendment – you tie it to the language of the lease or amended lease – costs go up and down.

Jennifer St. John seconded the motion. Motion passed.

Question # 4 (Is the mail fee based on historical costs or actual usage?)

Steve King (Lottery) stated he was under the impression the FY '06 rates were going to be based on FY '05 usage – not FY '04 usage.

Chairman John Bradford – my understanding it has to be on FY '04 because the FY '05 data is not available since we have just entered into FY '05.

GSE Customer Council Q & A and DAS FY2006 Budget Totals

Question # 4 (How has the DAS distributed funds to its customer agencies in FY 2005?)

Denise Sturm stated DOM has made those adjustments to your appropriation. We have a few revolving funds that don't have appropriations and are dealing with those in FY '05 by giving them credit on their bills.

Question # 5 (Who will decide how to use the undistributed portion of its General Fund appropriation?)

John Baldwin stated the appropriation was \$10.8 million and \$9.4 distributed – where did the \$1.4 go?

Denise Sturm noted it is “sitting there”; it is needed for two things. 1) During the last session we asked for Legislative language to allow Design and Construction to become a Utility billable to

the construction projects that they work on. The language was removed at the end of session; we did not get the necessary authority to do that. We have done an appropriation transfer request to move D & C as well as the parking ramp back into Leadership function. 2) As part of the distribution calculation process, there are a number of billings done to recover costs indirectly deposited into the General Fund – Statewide Indirect Cost Allocation Plan, is the one in particular that I would highlight. We did estimates on the affects that would have on those agencies receiving those billings. We may not have completely hit that mark and we need to allow for those kinds of “true-ups” to happen out of that distribution appropriation

Director Anderson stated DAS is concerned about the \$1.4 million dollars. We don’t believe that there is \$1.4 million dollars, that is the reason why in that question we listed some things that have already been anticipated being funded out of the \$1.4. The possibility of a second distribution was discussed at length.

FY 2006 Budget Totals

Denise Sturm explained handouts provided to Customer Council.

Page 1 – summarizes each of the budgets for each of the Enterprises, Leadership and Infrastructure.

Page 2 – (Roll up of FY06 GSE Budgets)

General Services General Fund Accounts include the budgets for Vertical Infrastructure, Design and Construction and Utilities. For a total of about \$4.4 million dollars.

Remaining items - are summary by fund, they are also major services GSE provides.

Direct Expenditure Column - shows you the direct expenses of providing those services that are listed.

Gross operating profit – that tells you what net is left over.

Page 3 (GSE Breakout Categories)

Same budget information divided in the same manner but with total revenues divided into each of the services – Leadership, Utility or Marketplace categories.

Denise noted this sheet may need another column entitled “Pass Through Account”, which would include such items as Corporate Express, Pitney Bowes, etc.

Page 4 (ITE Breakout Categories)

ITE has one revolving fund, the way indirects is shown differ in the way GSE indirects are shown. ITE has major categories of services under Infrastructure Services and Applications Development, and then we divide things into indirect expenses and general administration. This will highlight to you how much ITE is paying for shared services as it relates to how much GSE is paying – they are paying \$1.3 million dollars of shared services cost.

Page 5 – (HRE Breakout Categories)

HRE is presented in the same manner as ITE. This page also lists other budgets such as Workers Compensation, Employee Assistance, One Gift, Health, Flexible Spending, Deferred Compensation, Dependent Care Trust Fund and Deferred Compensation Match.

Page 6 – (Leadership Categories)

This is in a different format since there are no revolving funds. Included here is the Infrastructure Fund simply because they are a separate appropriation request and are considered Leadership.

Page 7 – (Shared Services)

Shows Shared Services budget by major function.

John Bradford discussed the topic of the 18% increase in rates. Marcia Spangler referred to Question # 7 on the GSE Customer Council Q & A's – (What factors have caused the DAS-GSE budget to increase 18% or \$1.27 million for FY 2006?""). Denise Sturm explained this consists of both direct and indirect costs. Additionally, these figures are Drafts; these are not the final '06 numbers. GSE Customer Council has information as to the assumptions that are in these numbers.

Pat Deluhery noted DAS is getting bigger in terms of the services that we provide, there is another 52,000 square feet of space we are going to be providing services for. It's the single biggest thing that increases what GSE will look like in FY '06 compared to FY '05. The whole amount of the Lab, 175,000 square feet doesn't increase GSE's service offering by that amount because there are two or three things that are reduced in FY '06 – the Records and Property building, vehicle dispatch and the space that we take out of Wallace. If we had customers to move right in to those spaces, GSE would get to be even bigger because we have more space to provide custodial services for and more customers to bill.

In a couple of other places we have added expense to the association fee but we think that in the long haul that will reduce or mitigate the impact of future changes because if we can manage the space on the Capitol better, that is if we can measure the square footage, we can work with the agencies to figure out how to fill space that is empty, we will be bringing more customers on to the Capitol Complex and further spreading the cost of doing business to a wider base.

Marcia Spangler recommended DAS go back and re-word Question # 7 – making the response more clear.

John Bradford stated the cause he is championing, is that if we are realigning staff, then we have to get the dollars that was funding those staff previously into this allocation which becomes a part of the base budgets. Denise Sturm noted that within the GSE – realignment of staff means adding staff to handle the Ankeny Labs, it may mean that the percentage of time originally allocated to do a seat of government fee was not appropriate and they should have spent more time doing association fee work. John Bradford summed this up – if we are moving people, the real question is, is the money coming with them?

John Baldwin expressed concern with Question # 1 – first bullet – concerning Design & Construction services Routine Maintenance noting Corrections has a vested interest, as do other agencies, in Routine Maintenance money. Debbie O'Leary stated the first part is a decision by the Customer Council – is this proper place to pay for these fees, or should they be paid out of other funds. Should they be paid out of Routine Maintenance, or should they be paid out of the Infrastructure budget?

Charlie Smithson noted he has concerns with the Auditor fee and the Attorney General fee being passed on to the association – I don't think that I should have to pay for some other sister agencies fees. I really advise you to think hard about moving those fees to Leadership

and you should go to the Legislature for it. Same thing for the Auditor. You are a business, but you are still a state agency and that is an expense you have as being an Executive Branch Agency. I think those two things should be Leadership. How is that a consumable good that I use of DAS' to help me conduct my state agency mission, which I thought was the purpose of a Utility? I will be having conversations with the Legislature about that issue.

Marcia Spangler noted that as a Utility service we can choose whether we want to buy that service or not, so I would take it one step further. Space, if I don't like my space allocation, I could reduce my space, things like that. I can't speak up and say I don't wish to pay for the Attorney General's information for DAS – I don't have a choice on that. So, I guess I would agree that it does feel more like Leadership.

John Baldwin stated it is a classic Leadership issue – it's the definition of what Leadership is and I would strongly encourage you to at least put some budget request in to get that funded, because it really is a cost you have.

Director Anderson stated that's why we are saying it might be appropriate to have this discussion with DOM about whether that particular item should be included in the appropriation. Going forward, understand that the increase each year as the Attorney General or the Auditor raises their fees is something that you would have to work into your budgets. I am not opposed to going back and having that discussion with DOM and the Auditor because the Auditor will eventually have to approve that as an appropriate methodology to include in our distribution.

John Bradford thanked Denise Sturm for all the information.

Charlie Smithson noted he understands why DAS is asking for an increase in '06 - to fix some of the problems from '05. Charlie stated he would be willing to move forward with the '06 rates as long as there are certain caveats, procedural safeguards in place. I am certainly willing to move forward as long as we can come to an agreement with those items, since I understand why they are asking for them.

John Baldwin seconded that stating he thinks this clearly means that we need to be aggressive in the area of trying to give you fees that are reasonable and appropriate. I would propose a solution along this line:

- We approve the rate package as put forward with the following addendums:
 1. That we know what those are for '06 for inclusion in our budget request.
 2. That "those" be submitted in our 100% budget asking. To accomplish that, I would argue the following: The department heads on this committee (Ruth, Charlie, Mollie), go to DOM, Cynthia Eisenhauer, Randy Bauer and say "this is a huge issue systemically", we need your support to fund the money in '06 that, hopefully, you will tell us to put it in the base budget, and it be funded there for the rate increase. That this go to the Legislature as part of the Governor's recommendation. I know it is too early to get that; but at least carry the message that "we have to have assurances that you are going to help us get this".
 3. Sometime in May 2005 – revisit the issue.
 4. We need to have a mechanism to step back and say – well, we gave it a good "go", now what are we going to do.
 5. I would argue that a motion, something along those lines, would move us forward. This gives us a chance to present our case early to DOM and

encourage them to allow us to carry that figure forward. It carries a meaning for the State.

Charlie Smithson stated he would second that motion – as conceptual as it might be. DAS promises, to please take a look at that Auditor and Attorney General fees.

Discussion – DAS to send a letter to agencies that would show the projected '06 rates and the '05 projected and contemplated change. John Baldwin stated he only wants the “changes” in the letter and noted the letter must be clear that you have been given “x” figure, this is an added number. John also noted there are timeframe issues, especially for the agencies with Boards. DHS meets a week before we do – we meet on the 24th of September.

Ruth White asked for the items in the motion once more before voting – John Bradford listed the items:

- There would be no impact on each individual agency
- Those be included as a part of the 100% budget asking
- Contact with DOM – with the department heads that are a part of the committee, including Mollie, have a meeting with DOM regarding that issue.
- That we revisit them in May '05 to adjust appropriately to Legislative Action.

Motion passed.

Open Discussion:

There will be NO meeting tomorrow – August 24, 2004.

Charlie – I would like to say the 2nd issue under “Issues for open discussion” is very important to me and I would like to see that brought up for discussion relatively quickly.

Mollie – We are going to be engaged in conversation with the people and also looking at the statute – just in terms of doing our research, preparing for that discussion.

Pat Deluhery – this has been a lot of work for the Customer Council members and we really appreciate it. I never fail to tell the agencies how hard you have all worked to get your arms around this – it is over and above what you do in your own shops – thank you very very much for that.

Adjournment:

Meeting adjourned at 4:00pm

Next Meeting:

September 16, 2004 – 7:30 am – 9:30 am

Hoover Building, Level A – EMD Conference Room

Respectfully submitted,
Nancy Williams, GSE
281-7259